



City of San Antonio

Agenda Memorandum

File Number:20-7019

Agenda Item Number: 24.

Agenda Date: 12/10/2020

In Control: City Council A Session

DEPARTMENT: Economic Development

DEPARTMENT HEAD: Alejandra Lopez

COUNCIL DISTRICTS IMPACTED: 3

SUBJECT:

A Resolution to nominate Avanzar Interior Technologies GP LLC ("Avanzar") as a Texas Enterprise Project.

SUMMARY:

This Resolution would nominate Avanzar as a Texas Enterprise Project. The Texas Enterprise Zone ("TEZ") is an economic development tool that allows local communities to partner with the State of Texas to encourage job creation and capital investment in economically distressed areas. If the State of Texas awards Avanzar a TEZ designation, Avanzar would be eligible to apply for State Sales and Use Tax refunds on qualified expenditures of up to \$1.25 million over five years. This nomination has no fiscal impact to the City.

BACKGROUND INFORMATION:

Avanzar was founded on May 5, 2005 and is a local, minority owned, advanced manufacturing and automotive assembly company. Avanzar is headquartered at 1 Lone Star Pass Building 41, San Antonio, TX 78264 in Council District 3 and is the largest on-site supplier for Toyota Motors Manufacturing Texas ("TMMTX") providing complete assemblies and just-in-time manufacturing for TMMTX. Operating as a just-in-time supplier, the company keeps lower levels of inventory and finished goods on hand, which is managed through logistics and materials management systems. Avanzar provides interiors, doors, and upholstery for a specific truck within an hour of TMMTX's notification and as a tier 1 supplier for the complete seat systems, door systems and overhead systems, Avanzar manages 192 tier 2 and 3 supplier companies.

The company also has assembly facilities in Baja California Mexico and Guanajuato Mexico and employs 1,100+ globally of which 938 are employed at its San Antonio facility. These 938 San Antonio jobs average \$50,567 annually and exceed the required minimum Living Wage and All Industry Wage standards. In 2005,

Avanzar was provided a 10-year 100% abatement, valued at \$1,661,901 in abated taxes and an EDIF grant in the amount of \$260,000, as well as a TEZ nomination. The incentives were based upon the establishment of Avanzar's assembly facility and creation of 500 jobs in San Antonio. Avanzar is in full compliance with all its agreements.

The company has partnered with UTSA to develop a pipeline of engineering interns it annually converts from graduating students to full time employees. Avanzar has partnered with local nonprofits such as Centro Med for annual back to school vaccination and school supply drive and the San Antonio Food Bank donating, preparing and serving meals at Haven for Hope. Avanzar also provides funding for an annual trip for local San Antonio high school students to visit Japan and learn about career opportunities in advanced manufacturing through the Naoko Mitsui Shirane Foundation.

ISSUE:

Avanzar plans to invest \$28 million to expand and retool its existing operations as well as build a new warehouse. To meet customer needs, improve technologies and enhance efficiencies, a new production line will be installed. In addition, renovations and repairs will be completed on the existing operations to accommodate new investments. To support this investment, City staff recommends a City Council Resolution nominating Avanzar for a TEZ designation in connection with its \$28 million expansion.

The Avanzar assembly facility currently employs 938 employees and plans to retain those positions over the 5-year TEZ designation period, as part of its planned retooling and construction of a warehouse. Furthermore, in order to be eligible for State Sales and Use Tax refunds on qualified expenditures, at least 35% of the company's retained employees at the TEZ qualified business site must meet state economically disadvantaged, enterprise zone residency, or veteran requirements. Through the City's nomination and the state's designation of Avanzar as a TEZ Project, Avanzar's commitment to retaining its existing workforce and capital investment will have an enduring positive influence on the development of the San Antonio economy.

The City of San Antonio receives an allotment of nine potential TEZ Project designations every state biennium. The 2020-2021 biennium commenced on September 1, 2019. If the Avanzar TEZ Project designation is approved by the State, the City will have five of its TEZ Project designations remaining for the remainder of this state biennium, ending on August 31, 2021.

ALTERNATIVES:

Based in part on the City's nomination of Avanzar as a TEZ Project, the company will make a capital investment of approximately \$28 million to expand and retool existing operations and the building of a new warehouse. City Council could choose not to approve the Resolution nominating Avanzar for designation as a TEZ Project, which could impact Avanzar's decision to invest in its San Antonio facility and job retention and growth.

FISCAL IMPACT:

There is no fiscal impact to the City of San Antonio.

RECOMMENDATION:

Staff recommends approval of a Resolution nominating Avanzar as a TEZ Project with the Avanzar assembly facility designated as the qualifying business site.